

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

DEPARTMENT OF CIVIL RIGHTS

October 1, 1998 through September 30, 2000

EXECUTIVE DIGEST

DEPARTMENT OF CIVIL RIGHTS

INTRODUCTION	This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Department of Civil Rights (DCR) for the period October 1, 1998 through September 30, 2000.
AUDIT PURPOSE	This financial audit of DCR was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
BACKGROUND	<p>DCR was established in 1965 to implement policy established by the Civil Rights Commission. DCR's mission* is to secure the full enjoyment of civil rights guaranteed by law and the State Constitution and to redress unlawful discrimination against any person in accordance with law.</p> <p>DCR is authorized to receive and investigate complaints through an agreement with the U.S. Equal Employment Opportunity Commission to enforce the following federal laws: Title VII of the Civil Rights Act of 1964, as amended;</p>

* See glossary at end of report for definition.

the Age Discrimination in Employment Act of 1967; and the Americans With Disabilities Act of 1990.

During the audit period, DCR completed implementation of a reengineering process called the Problem Resolution Process*. The four service options of the new process are: information, referral, outreach and education, and complaint resolution. The Grand Rapids office piloted the new process in July 1998, and the first components of the process were implemented in all of DCR's other offices in November 1998. In April 1999, DCR proceeded to full implementation.

The Office of Management Services has responsibility for DCR's accounting and financial reporting, including federal financial reporting. DCR's total expenditures for fiscal year 1999-2000 were \$14,646,385 and, as of September 30, 2000, DCR had 145 classified, full-time equated employees and 8 limited-term employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit DCR's financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to DCR's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on DCR's financial schedules. In addition, we expressed an unqualified opinion on DCR's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

Audit Objective: To assess and report on DCR's compliance with certain provisions of laws, regulations,

* See glossary at end of report for definition.

contracts, and grants, noncompliance with which could have a direct and material effect of the financial schedules, and on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*.

In addition, our assessment indicated that DCR was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess and report on DCR's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on DCR's compliance with requirements applicable to DCR's major federal program. Also, our assessment of internal control over compliance applicable to DCR's major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Civil Rights for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards

* See glossary at end of report for definition.

generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

PRIOR AUDIT
FOLLOW-UP

As disclosed in DCR's summary schedule of prior audit findings, DCR fully corrected both prior Single Audit findings.

May 8, 2001

Francisco J. Villarruel, J.D., Chairperson
Civil Rights Commission
and
Nanette Lee Reynolds, Ed.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Mr. Villarruel and Dr. Reynolds:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Civil Rights for the period October 1, 1998 through September 30, 2000.

This report contains our executive digest; description of agency; audit objectives and conclusions, audit scope, and prior audit follow-up; schedule of findings and questioned costs; and independent auditor's reports on the financial schedules, on compliance and on internal control over financial reporting, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. This report also contains the Department of Civil Rights financial schedules and notes to the financial schedules, supplemental financial schedules, other schedules, and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The State Constitution established the Civil Rights Commission as an eight-member board appointed by the Governor. Commissioners are appointed for four-year terms with not more than two terms expiring in the same year.

The Department of Civil Rights (DCR) was established in 1965 to implement policy established by the Commission. In 1991, Executive Order 1991-29 transferred the operations of the Commission on Indian Affairs, the Commission on Spanish-Speaking Affairs, and the Michigan Women's Commission from the Department of Management and Budget to DCR. On August 20, 1999, the Governor signed Executive Order 1999-9 dissolving the Commission on Indian Affairs and transferred its authority to the DCR director. On March 10, 2000, the Governor signed Executive Order 2000-5 transferring the operations of the Commission on Spanish-Speaking Affairs to the Michigan Department of Career Development.

DCR's mission is to secure the full enjoyment of civil rights guaranteed by law and the State Constitution and to redress unlawful discrimination against any person in accordance with law. DCR is responsible for enforcing two State laws governing discrimination: the Elliott-Larsen Civil Rights Act (Act 453, P.A. 1976) and the Persons With Disabilities Civil Rights Act (Act 220, P.A. 1976), as amended. Also, DCR is authorized to receive and investigate complaints through an agreement with the U.S. Equal Employment Opportunity Commission to enforce the following federal laws: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967; and the Americans With Disabilities Act of 1990. These laws prohibit discrimination in employment, public accommodations, public service, education, and housing because of religion, race, color, national origin, age, sex, marital status, physical or mental disability, and retaliation. DCR also has a similar agreement to accept the U.S. Department of Housing and Urban Development's housing complaints under the federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended). In addition to the previously listed categories, the Elliott-Larsen Civil Rights Act also prohibits discrimination based on height and weight, familial status, and arrest record in employment. DCR is also responsible for approving plans to correct past discriminatory practices that have caused or resulted in a denial of equal opportunity for individuals.

During the audit period, DCR completed implementation of a reengineering process called the Problem Resolution Process and eliminated its backlog of 4,300 complaints. The four service options of the new process are: information, referral, outreach and education, and complaint resolution. The Grand Rapids office piloted the new process in July 1998, and the first components of the process were implemented in all of DCR's other offices in November 1998.

In April 1999, all teams were in place and DCR proceeded to full implementation. As part of the new process, DCR stated that customer service improved, time for complaint processing was reduced, and numerous new contacts were made through outreach and education.

Two new initiatives that further the mission of DCR include the development of the organizational and community partnerships and the full implementation of the new Contact Management System*. The partnership initiative seeks to develop formal and informal relationships with various Michigan communities and civil rights related organizations. These relationships provide an opportunity for discussion and resolution of issues of common concern and identify ways in which programs can be established and resources shared. The Contact Management System allows entry, update, revision, tracing, reporting, and management of all customer contact information. As of September 30, 2000, the System had been installed and all DCR staff used the application to further enhance DCR's mission.

The Office of Management Services has responsibility for DCR's accounting and financial reporting, including federal financial reporting. DCR's total expenditures for fiscal year 1999-2000 were \$14,646,385 and, as of September 30, 2000, DCR had 145 classified, full-time equated employees and 8 limited-term employees.

* See glossary at end of report for definition.

Audit Objectives and Conclusions, Audit Scope,
and Prior Audit Follow-Up

Audit Objectives and Conclusions

Our financial audit, including the provisions of the Single Audit Act, of the Department of Civil Rights (DCR) had the following objectives:

1. To audit DCR's financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to DCR's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

We expressed an unqualified opinion on DCR's financial schedules. In addition, we expressed an unqualified opinion on DCR's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

2. To assess and report on DCR's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control over financial reporting, based on our audit of the financial schedules.

Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses.

In addition, our assessment indicated that DCR was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

3. To assess and report on DCR's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

We issued an unqualified opinion on DCR's compliance with requirements applicable to DCR's major federal program. Also, our assessment of internal control over compliance applicable to DCR's major federal program did not disclose any material weaknesses.

Audit Scope

Our audit scope was to examine the financial and other records of the Department of Civil Rights for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We considered DCR's internal control over compliance applicable to each major federal program and assessed DCR's compliance with federal laws and regulations in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in addition to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, we followed up on DCR's summary schedule of prior audit findings. DCR's major federal program is identified in Section I of the schedule of findings and questioned costs*.

Prior Audit Follow-Up

As disclosed in DCR's summary schedule of prior audit findings, DCR fully corrected both prior Single Audit findings.

* See glossary at end of report for definition.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions* identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial schedules?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts

* See glossary at end of report for definition.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee*? No

Section II: Findings Related to the Financial Schedules

We did not report any findings related to the financial schedules.

The status of the findings related to the financial schedules that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

Section III: Findings and Questioned Costs Related to Federal Awards

We did not report any findings related to federal awards.

The status of the findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

** See glossary at end of report for definition.*

Independent Auditor's Report on
the Financial Schedules

January 26, 2001

Francisco J. Villarruel, J.D., Chairperson
Civil Rights Commission
and
Nanette Lee Reynolds, Ed.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Mr. Villarruel and Dr. Reynolds:

We have audited the accompanying schedule of General Fund revenue and the schedule of sources and disposition of General Fund authorizations of the Department of Civil Rights for the fiscal years ended September 30, 2000 and September 30, 1999.

These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit. The financial transactions of the Department are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and the sources and disposition of authorizations for the Department of Civil Rights' General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department or the State's General Fund in

accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and the sources and disposition of authorizations of the Department of Civil Rights for the fiscal years ended September 30, 2000 and September 30, 1999, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2001 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, consisting of the schedule of certain General Fund assets and liabilities and the schedule of sources and disposition of General Fund authorizations by appropriation unit, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting

January 26, 2001

Francisco J. Villarruel, J.D., Chairperson
Civil Rights Commission
and
Nanette Lee Reynolds, Ed.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Mr. Villarruel and Dr. Reynolds:

We have audited the General Fund financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2000 and September 30, 1999 and have issued our report thereon dated January 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a

condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Civil Rights Commission, the State's management, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

January 26, 2001

Francisco J. Villarruel, J.D., Chairperson
Civil Rights Commission
and
Nanette Lee Reynolds, Ed.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Mr. Villarruel and Dr. Reynolds:

Compliance

We have audited the compliance of the Department of Civil Rights with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The Department's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary

in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department of Civil Rights complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Civil Rights Commission, the State's management, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

DEPARTMENT OF CIVIL RIGHTS
Schedule of General Fund Revenue
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
REVENUE (Note 2)		
Federal Agencies:		
U.S. Equal Employment Opportunity Commission contract	\$ 279,150	\$ 823,843
U.S. Department of Housing and Urban Development contract	<u>268,955</u>	<u>429,190</u>
Subtotal	\$ 548,105	\$ 1,253,033
Miscellaneous	<u>25,364</u>	<u>20,560</u>
Total Revenue	<u>\$ 573,469</u>	<u>\$ 1,273,593</u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF CIVIL RIGHTS
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
SOURCES OF AUTHORIZATIONS (Note 3)		
General purpose appropriations	\$ 14,739,300	\$ 12,504,800
Balances carried forward	995,259	1,609,671
Restricted financing sources	<u>481,320</u>	<u>1,253,033</u>
Total	<u>\$ 16,215,879</u>	<u>\$ 15,367,504</u>
DISPOSITION OF AUTHORIZATIONS (Note 3)		
Expenditures and operating transfers out	<u>\$ 14,646,385</u>	<u>\$ 13,957,360</u>
Balances carried forward:		
Multi-year projects	\$ 1,000,000	\$ 450,824
Encumbrances	<u>190,986</u>	<u>544,435</u>
Total balances carried forward	<u>\$ 1,190,986</u>	<u>\$ 995,259</u>
Balances lapsed	<u>\$ 378,509</u>	<u>\$ 414,884</u>
Total	<u>\$ 16,215,879</u>	<u>\$ 15,367,504</u>

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Department of Civil Rights (DCR) for the fiscal years ended September 30, 2000 and September 30, 1999. The financial transactions of DCR are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to DCR. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Pension Benefits and Other Postemployment Benefits, and Compensated Absences.

b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and the sources and disposition of authorizations for DCR's General Fund accounts. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either DCR or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

Note 2 Schedule of General Fund Revenue

DCR's new Problem Resolution Process includes an early complaint resolution option for the customer. When early resolution is successful, a formal

complaint is not taken and DCR does not receive U.S. Equal Employment Opportunity Commission complaint processing reimbursement. This resulted in a decrease in such revenue.

Note 3 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenue.
- b. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenue - authorized, and restricted revenue - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenue - not authorized.
- c. Restricted financing sources: Collections of restricted revenue, restricted operating transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenue - authorized or restricted revenue - not authorized.
- d. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects. An example of a significant carry-forward is \$450,824 carried forward in fiscal year 1998-99 for DCR's Project 4300. As of November 1, 1997, DCR had 4,300 complaints in its inventory that needed to be resolved in order to implement the new Problem Resolution Process. DCR received a supplemental appropriation to assist in backlog reduction strategies.

- e. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- f. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.

SUPPLEMENTAL FINANCIAL SCHEDULES

DEPARTMENT OF CIVIL RIGHTS
Schedule of Certain General Fund Assets and Liabilities
As of September 30

	<u>2000</u>	<u>1999</u>
ASSETS		
Due from federal agencies	\$ 315,210	\$ 73,890
Other assets	\$ 9,099	\$ 3,380
LIABILITIES		
Accounts payable	\$ 3,927	\$ 12,648
Deferred revenue		\$ 66,785

This schedule of certain General Fund assets and liabilities is not a balance sheet and is not intended to report financial condition. The schedule presents certain General Fund assets and liabilities that result directly from the operations of, and are the responsibility of, the Department of Civil Rights. The schedule does not include certain other assets, such as land, buildings, equipment, equity in Common Cash, and cash in transit, and certain other liabilities, such as warrants outstanding, that are accounted for centrally by the State.

DEPARTMENT OF CIVIL RIGHTS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Years Ended September 30

	2000				
	<u>Total</u> <u>Authorizations</u>	<u>Expenditures</u> <u>and Operating</u> <u>Transfers Out</u>	<u>Multi-Year</u> <u>Projects</u>	<u>Encumbrances</u>	<u>Balances</u> <u>Lapsed</u>
Operations	\$ 14,934,435	\$ 13,456,624	\$ 1,000,000	\$ 190,986	\$ 286,825
Commission per diem	16,200	16,200			
Unclassified positions	333,100	241,416			91,684
Backlog reduction	450,824	450,824			
Federal programs:					
U.S. Equal Employment Opportunity	279,150	279,150			
Commission contract					
U.S. Department of Housing and Urban	202,170	202,170			
Development contract					
Total	<u>\$ 16,215,879</u>	<u>\$ 14,646,385</u>	<u>\$ 1,000,000</u>	<u>\$ 190,986</u>	<u>\$ 378,509</u>

1999				
<u>Total</u> <u>Authorizations</u>	<u>Expenditures</u> <u>and Operating</u> <u>Transfers Out</u>	<u>Multi-Year</u> <u>Projects</u>	<u>Encumbrances</u>	<u>Balances</u> <u>Lapsed</u>
\$ 12,881,346	\$ 12,067,233	\$	\$ 544,435	\$ 269,677
16,200	15,375			825
323,400	179,018			144,382
893,526	442,701	450,824		
823,843	823,843			
429,190	429,190			
<u>\$ 15,367,504</u>	<u>\$ 13,957,360</u>	<u>\$ 450,824</u>	<u>\$ 544,435</u>	<u>\$ 414,884</u>

DEPARTMENT OF CIVIL RIGHTS
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 1998 through September 30, 2000

<u>Federal Agency/Program</u>	<u>CFDA (2) Number</u>	Directly Expended for the Fiscal Year Ended September 30, 1999	Directly Expended for the Fiscal Year Ended September 30, 2000	Total Expended and Distributed for the Two-Year Period
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program				
Fair Housing Assistance Program - State and Local (FHAP)	14.401	\$ 429,190	\$ 202,170	\$ 631,360
Total U.S. Department of Housing and Urban Development		\$ 429,190	\$ 202,170	\$ 631,360
<u>U.S. Equal Employment Opportunity Commission</u>				
Direct Program				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	\$ 823,843	\$ 279,150	\$ 1,102,993
Total U.S. Equal Employment Opportunity Commission		\$ 823,843	\$ 279,150	\$ 1,102,993
Total Expenditures of Federal Awards		\$ 1,253,033	\$ 481,320	\$ 1,734,353

(1) Basis of Presentation: This schedule includes the federal grant activity of the Department of Civil Rights and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

OTHER SCHEDULES

DEPARTMENT OF CIVIL RIGHTS
Summary Schedule of Prior Audit Findings
As of September 30, 2000

PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 1996 through September 30, 1998
Finding Number: 159901
Finding Title: Procurement Card Use
Finding: The Department of Civil Rights (DCR) did not consistently apply internal control procedures over procurement card purchases.
Comments: DCR complied with the corresponding recommendation.

DCR appointed a procurement card administrator to review procurement card transactions. Also, additional procurement cards have been assigned to employees to eliminate the sharing of cards. In addition, the internal auditor has conducted a procurement card audit.

Audit Period: October 1, 1996 through September 30, 1998
Finding Number: 159902
Finding Title: Eligible Activities for the Fair Housing Assistance Program Contract
Finding: See Finding 159903 with the findings related to federal awards.

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 1996 through September 30, 1998
Finding Number: 159903
Finding Title: Eligible Activities for the Fair Housing Assistance Program Contract

Finding: DCR did not determine that it completed activities eligible for reimbursement related to its contract with the U.S. Department of Housing and Urban Development (HUD) for the Fair Housing Assistance Program.

Comments: DCR complied with the corresponding recommendation.

In April 1999, DCR met with HUD to ascertain the categories of allowable expenses pursuant to the HUD contract. DCR's internal auditor reviewed supplemental expenses and submitted them to HUD for approval. Approval was received from HUD on October 8, 1999. In addition, responsible DCR staff meet routinely to monitor the contract and procedures have been developed for documentation and reporting purposes.

DEPARTMENT OF CIVIL RIGHTS
Corrective Action Plan
As of January 26, 2001

There were no findings for fiscal years 1998-99 and 1999-2000.

Glossary of Acronyms and Terms

CFDA	<i>Catalog of Federal Domestic Assistance.</i>
Contact Management System	Automation of the Problem Resolution Process. This is a complete and comprehensive automated system for all DCR customer contacts.
DCR	Department of Civil Rights.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
HUD	U.S. Department of Housing and Urban Development.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting, (2) effectiveness and efficiency of operations, and (3) compliance with applicable laws and regulations.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.

material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or statement amounts.
material weakness	A condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements being audited or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
mission	The agency's main purpose or the reason that the agency was established.
OMB	U.S. Office of Management and Budget.
Problem Resolution Process	DCR's first reengineered organizational process. This process includes all those tasks performed when a customer interacts with DCR regarding a civil rights related need or concern, such as providing information, education, and complaint investigation.
questioned costs	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.
Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
unqualified opinion	An auditor's opinion in which the auditor states, without reservation, that the financial schedules and/or financial statements are fairly presented in conformity with the disclosed basis of accounting or are fairly presented in relation to the primary financial schedules and/or statements or an auditor's opinion in which the auditor states, without reservation, that the audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.